SUBJECT: Coding Borrowers' Loans to Allow Correct
Reporting to the Internal Revenue Service (IRS)

TO: State Directors, District Directors,
and County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to advise field
offices of the requirement to code borrowers' loans with information for
reporting of mortgage interest to the IRS.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on the subject.

IMPLEMENTATION DATE: November 2, 1992

IMPLEMENTATION RESPONSIBILITIES:

Field offices will be responsible for processing information to the
Program Loan Accounting System (PLAS) data base for reporting mortgage
interest to the IRS for insured rural housing (RH), farmer program,
business and industry, and community facility loan types. For these
loan types, field offices will code the loan records identifying the
"type of applicant" and "collateral code." These data fields will be
coded and updated to the respective loan records via Automated
Discrepancy Processing System (ADPS) Transaction Code (TC) M5,
Population of Type of Applicant and Collateral Code.

To assist field offices in retrieving this information from the
borrower case file, an alphabetized listing of borrower loans
which must be coded will be provided to field offices in early
October 1992. A user guide for processing TC's M5 will be provided
with the listing. RH loans that have been classified in accordance
with FmHA Instruction 1904-B, Classification of Single Family
Housing Borrower Accounts, and farm ownership loans made to
individuals will be systematically coded as individual - real
estate secured. These loan types will not be reflected on the
listing. Please complete the "type of applicant" and "collateral
code" data fields using the data element descriptive codes in the
user guide for each loan shown on the listing.

EXPIRATION DATE: September 30, 1993

FILING INSTRUCTIONS:
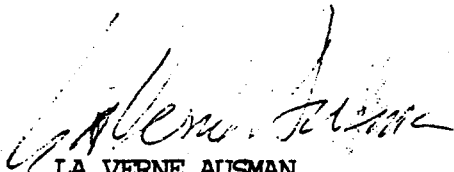Preceding FmHA
Instruction 1951-G

Starting November 2, 1992, TC's M5 will be generated and displayed
in four alphabetic groups beginning with A-F. Groups G-L, M-R, and
S-Z will be consecutively displayed every 2 weeks thereafter.
These groups will also show loans closed between October 1, 1992,
and November 2, 1992, not included on the listing. The TC's M5
will be displayed in ADPS Option 1, Oldest Within Jurisdiction,
behind daily discrepancies and interest credit renewal transactions
with discrepancy code 65.

It is recommended that field offices complete the type of applicant
and collateral codes on the TC's M5 from their completed listing
using ADPS Option 2, Discrepancy Processing by Case Number. Upon
entering the data, code the discrepancy to process and enter the
date processed in the "Date TC M5 Processed" column on the listing.
TC's M5 for loans closed between October 1, 1992, and November 2,
1992, will not appear on the listing and may be accessed and coded
using either ADPS Option 1 or Option 2. The TC's M5 coded to
process will be updated nightly by the Finance Office.

The processing of TC's M5 must be completed by December 31, 1992,
to ensure IRS reporting correctly reflects mortgage interest paid
for all individual loans secured by real estate. The TC M5 process
will be repeated in March 1993 prior to the IRS Form 1098, Mortgage
Interest Statement, correction process to allow proper coding of
any new loans made between November 1, 1992, and December 31, 1992.

A method for capturing the type of applicant and collateral code for
new loans will be implemented during calendar year 1993 to allow proper
coding to PLAS.

LA VERNE AUSMAN
Administrator
Farmers Home Administration

MARY ANN BARON
Administrator
Rural Development Administration